

## Message Text

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PAGE 01 PRAGUE 02571 01 OF 02 081445Z

65

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-03 INR-07

NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 978

INFO USDOC WASHDC

AMEMBASSY BELGRADE

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E.O. 11652: NA

TAGS: EALR, EGEN, CZ

SUBJECT: ECONOMIC PERFORMANCE DURING FIRST SIX MONTHS OF SIXTY FYP

REFS A. PRAGUE 2527 B. PRAGUE A-31

1. SUMMARY: EMBASSY SUMMARIZES AND COMMENTS ON GOC STATEMENTS ON ECONOMIC PERFORMANCE DURING JANUARY-JUNE 1976 AS SIXTY FYP BEGINS. (AGRICULTURE AND FOREIGN TRADE COVERED SEPT. 1976.)

OVERALL INDUSTRIAL PRODUCTION UP 6.0 PERCENT OVER FIRST HALF 1975. ENGINEERING AND CHEMICAL SECTORS ABOVE COVERAGE. SECTORAL PERFORMANCE CITED. DESPITE SOME GOOD NEWS, PROBLEMS REMAIN. PRODUCTIVITY GROWTH CLAIMS SEEM DUBIOUS.

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PAGE 02 PRAGUE 02571 01 OF 02 081445Z

POOR QUALITY, WASTE AND CONSUMER DISSATISFACTION APPEAR TO

BE INTRACTABLE. THINGS NEITHER WORSE NOR FUNDAMENTALLY IMPROVED DURING FIRST HALF 1976. END SUMMARY.

2. IN RECENT WEEKS, GOC HAS RELEASED REPORT ON ECONOMIC DEVELOPMENT AND PLAN FULFILMENT (TEXT BEING SENT UNDER COVER OF AIRGRAM) AND OTHER MORE RECENT STATEMENTS WHICH SHED SOME LIGHT ON CZECHOSLOVAK ECONOMIC PERFORMANCE DURING FIRST SIX-MONTHS OF 1976.

THIS TELEGRAM IS INTENDED TO SIFT MOST SIGNIFICANT STATISTICS FROM PILE OF PUBLISHED NUMBERS AND TO DRAW SOME CONCLUSIONS ON HOW ECONOMY HAS FARED SINCE LAST ECONOMIC TRENDS REPORT (REF B) AS SIXTH FIVE-YEAR PLAN GETS UNDERWAY. AGRICULTURE AND FOREIGN TRADE, BEING COVERED SEPTELS, INCLUDING REF A.

3. AS USUAL, OFFICIAL PRONOUNCEMENTS INDULGE IN RITUAL SELF-CONGRATULATIONS, SUPPORTED BY PLETHORA OF NUMBERS AIMED AS MUCH AT OBFUSCATION AS ENLIGHTENMENT. CRITICAL REMARKS ARE SOFT-PEDALLED, MAKING PRECISE ANALYSIS OF ECONOMIC PROBLEMS PARTICULARLY DIFFICULT.

4. GOOD NEWS (FROM GOC POINT OF VIEW): OVERALL PRODUCTION ROSE BY 6.0 PERCENT DURING JAN-JUNE, 1976 COMPARED TO SAME SIX MONTHS OF 1975, 0.5 PERCENT HIGHER THAN PLANNED. BUILDING WORK VOLUME ROSE 6.4 PERCENT. IN ACCORD WITH FYP, INDUSTRIAL OUTPUT GREW FASTER IN SLOVAK REPUBLIC (6.9 PERCENT) THAN IN CZECH REPUBLIC (5.7 PERCENT). ABOVE AVERAGE OUTPUT INCREASES WERE ACHIEVED BY THE ENGINEERING AND CHEMICAL SECTORS, BOTH OF WHICH RECEIVE SPECIAL EMPHASIS UNDER SIXTH FYP. GOOD PERFORMANCES WERE REGISTERED BY VARIOUS INDUSTRIES (GLASS, CERAMICS AND PORCELAIN AND CELLULOSE AND PAPER) WHICH UTILIZE DOMESTIC RAW MATERIALS. INDUSTRIES WITH THE HIGHEST PERCENTAGE INCREASES IN PRODUCTION OVER THE FIRST HALF OF 1975 INCLUDE: GAS 19.3; GLASS, CERAMICS AND PORCELAIN 9.4; ENGINEERING 9 (INCLUDING NUMERICALLY-CONTROLLED MACHINE TOOLS 31.7; DIGITAL COMPUTERS 30, CHEMICAL INDUSTRY MACHINERY 12.8, TEXTILE MACHINERY 10.4, TRUCKS 10.2); FURNITURE LIMITED OFFICIAL USE

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PAGE 03 PRAGUE 02571 01 OF 02 081445Z

11.4; FARM MACHINERY 10.8; CHEMICAL 9 (INCLUDING GASOLINE FOR AUTOS 14.4, OIL PROCESSED BY PETROCHEMICAL INDUSTRY 12.1, CELLULOSE AND PAPER 8.6, PROCESSING OF RUBBER AND PLASTICS 8.3, CHEMICAL FIBRES 7); AND BUILDING MATERIALS 6.5.

5. NOT SO GOOD NEWS: LESS IMPRESSIVE OUTPUT GROWTH WAS REGISTERED BY: OVERALL CONSUMER GOODS 5.1 (INCLUDING

CLOTHING 5.6, FOOTWEAR 4.0, AND  
TEXTILES 2.8); OVERALL METALLURGY 4.4 (INCLUDING  
EXTRACTION AND PROCESSING OF ORES 5.6, NON FERROUS  
METALLURGY 4.0 AND FERROUS METALLURGY 4.4;  
ELECTRICITY 5.2; COAL AND LIGNITE 4.1 (INCLUDING  
BLACK COAL 2.0 AND BORWN COAL AND LIGNITE 4.8);  
ROLLED STEEL 5.5 AND CRUDE STEEL 1.3; PRIVATE  
AUTOS 3.5; AND FOOD 0.6.

6. BAD NEWS: PUBLISHED MATERIAL BRIEFLY NOTED  
SEVERAL SPECIFIC PROBLEMS, MOST NOTABLY: CEMENT  
PRODUCTION FELL BY 3.5 PERCENT (THE ONLY DECREASE  
OUT OF 22 NON-FARM PRODUCTS SPECIFICALLY LISTED  
WITH OUTPUT TOTALS); PUBLIC FREIGHT TRANSPORTED  
EXCEEDED FIRST HALF OF 1975 BUT TOTALLED ONLY  
99.3 PERCENT OF THE PLANNED LEVEL (APPARENTLY  
RAIL TRANSPORT ALONE ACCOUNTED FOR THIS NON-FULFILLMENT  
OF THE PLAN); INDUSTRIAL PLANT CONSTRUCTION WAS ALSO  
BELOW TARGET; BREAK-DOWN IN ELECTRIC POWER GENERATING  
FACILITIES (STEAM) EVIDENTLY WAS EVEN MORE SERIOUS  
THAN IN 1975; APPARTMENT CONSTRUCTION FELL  
BELOW THE HIGH LEVELS OF FIRST HALF 1975, AND ONLY  
40.8 PERCENT OF THE ANNUAL TARGET FOR NEW HOUSING  
WAS MET DURING JANUARY-JUNE (COMPARED TO 41.3  
PERCENT FOR SAME PERIOD LAST YEAR); AND CONSUMER  
DEMANDS AS REGARDS QUALITY, TECHNICAL STANDARDS,  
RANGE AND VARIETY OF PRODUCTS WERE NOT FULLY  
SATISFIED. MORE GENEARALLY, UNNAMED "INDIVIDUAL  
ENTERPRISES DID NOT FULFILL THEIR PRODUCTION TASKS  
EVENLY", ESPECIALLY IN ENGINEERING AND FOOD INDUSTRIES.  
ALSO, SUPPLIER-CONSUMER RELATIONSHIPS WERE "ADVERSELY  
INFLUENCED BY UNEVEN FULFILLMENT" OF SOME UNSPECIFIED  
PRODUCTION TASKS. DISTRIBUTION BOTTLENECKS, UNFINISHED  
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PAGE 04 PRAGUE 02571 01 OF 02 081445Z

CONSTRUCTION PROJECTS, LOW QUALITY AND NON-  
AVAILABILITY OF CONSUMER AND INDUSTRIAL PRODUCTS AND  
WASTE OF FUEL, RAW MATERIALS AND FOOD OBVIOUSLY CONTINUE  
TO BE SERIOUS PROBLEMS.

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PAGE 01 PRAGUE 02571 02 OF 02 081517Z

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LIMITED OFFICIAL USE SECTION 2 OF 2 PRAGUE 2571

7. PRODUCTIVITY: REPORTEDLY, INDUSTRIAL LABOR PRODUCTIVITY ROSE BY 5.4 PERCENT IN FIRST HALF 1976 OR .09 PERCENT HIGHER THAN PLANNED. HOWEVER, GIVEN THE CONTINUED EXHORTATION BY CZECHOSLOVAK LEADERS ON THE NEED FOR HIGHER PRODUCTIVITY GAINS --IF STABLE PRICES ARE TO BE MAINTAINED--AND THE DISAPPOINTING EXPORT PERFORMANCE OF CZECHOSLOVAK INDUSTRIAL GOODS IN WESTERN MARKETS, THIS CLAIM SEEMS DISTINCTLY UNIMPRESSIVE.

8. CONCLUSIONS: AFTER THE EXERTIONS OF 1975 TO FULFILL THE FIFTH FYP IN THE FINAL YEAR, CZECHOSLOVAK INDUSTRY WILL REQUIRE TIME TO BUILD UP MOMENTUM AGAIN. FIRST HALF 1976, THEREFORE, PROBABLY LIMITED OFFICIAL USE

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PAGE 02 PRAGUE 02571 02 OF 02 081517Z

SAW A RESPECTABLE PERFORMANCE BY MOST SECTORS (6 PERCENT RISE IN INDUSTRIAL OUTPUT COMPARES FAVORABLY WITH PREVIOUS YEARS). HOWEVER, GIVEN HIGHLY SELECTIVE NATURE OF PUBLISHED STATISTICS, IT IS HARD TO BE SURE EVEN OF THIS. WHAT DOES SEEM CLEAR, DESPITE GOC

BOASTS,IS THAT CZECHOSLOVAK  
ECONOMY CONTINUES IN SAME RUT AS BEFORE.  
AGRICULTURAL AND FOREIGN TRADE DISAPPOINTMENTS (SEPTELS)  
REINFORCE THIS IMPRESSION. LOW LABOR PRODUCTIVITY,  
POOR QUALITY OF OUTPUT, INEFFICIENT USE OF FUEL AND  
RAW MATERIALS AS WELL AS MANPOWER, AND CONSUMER  
DISSATISFACTION APPEAR TO BE SAME INTRACTABLE  
PROBLEMS, GIVEN PREVAILING ECONOMIC AND POLITICAL  
CONSTRAINTS, AT OUTSET OF NEW FYP THAT THEY WERE  
DURING EARLIER PLANS. THINGS DID NOT GET APPREICABLY  
WORSE DURING FIRST HALF, BUT NEITHER WAS  
ANY FUNDAMENTAL IMPROVEMENT DETECTABLE.  
BYRNE

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